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SUBJECT: AMBASSADOR VISITS THE GATEWAY TO PATAGONIA

11. SUMMARY: The Ambassador traveled to the southern XI region of Aysen on September 26 to meet with local officials and highlight a recent U.S. Trade Development Agency (TDA) grant intended to help expand and modernize the region's principal airport. The Balmaceda Airport, located near the Aysen regional capital of Coyhaique, is considered the gateway to Patagonia and currently services more than 230,000 passengers per year, many for nature-related tourism. In Coyhaique the discussions focused largely on the TDA grant, planned hydroelectric dams, and the growing opportunities in the Aysen region for salmon processing and tourism. END SUMMARY.

12. The Ambassador visited on September 26 the XI Region, located nearly 1000 miles south of Santiago and an entry point to Chile's Patagonia area. He visited the Balmaceda Airport and the city of Coyhaique -- the Aysen region capital. He met with Coyhaique Mayor David Sandoval and Aysen Region Intendente Selim Carrasco, who hosted a joint press conference. The Ambassador, accompanied by Air Attache and Press Officer, traveled to the Aysen region aboard the USAF C-12 aircraft managed by the Defense Attache Office in Embassy Buenos Aires.

Aysen: Vast and Remote

13. Aysen Region Intendente Carrasco welcomed the Ambassador's visit and thanked the USG for the U.S. TDA grant of \$351,000 (signed on September 12 in Santiago). He said the feasibility study will facilitate the growth and expansion of Balmaceda Airport, which welcomes roughly half of all travelers to the Aysen region. He indicated that the entire population of the Aysen region is fewer than 100,000 residents, of which half live in the capital city of Coyhaique. Patagonia represents 35 percent of Chile's territory, but has only 2 percent of the nation's population. The Intendente noted that Coyhaique is becoming a tourism center for nature lovers and backpackers; most of the foreign tourists come for trekking, fly fishing, and to enjoy the natural beauties found in Patagonia.

14. Carrasco indicated the TDA study is important because there is no Chilean roadway that reaches Coyhaique uninterrupted along the Carretera Austral. Coyhaique is more than 600 kilometers south of Puerto Montt (X Region), and it takes 36 hours via a circuitous land route, including transiting through Argentine territory. Carrasco added that travel to Aysen has been further complicated by the eruption of the Chaiten volcano, which has forced the closure of the ferry embarkation point that connects to the road to Coyhaique.

15. Carrasco emphasized that the region wants to attract more tourists to Aysen, including during winter (there are two ski lifts nearby a center called El Fraile). The Ambassador noted he was impressed with the free Wi-Fi internet access in the town square,

which will be welcomed by laptop-fanatic tourists. Carrasco added that Aysen is doing well economically. Salmon exports are expanding and investments in the industry are moving increasingly southward to Aysen. While the salmon industry in Puerto Montt is suffering from the ISA virus and declining, the industry in the Aysen region is clean of the disease and booming. The Intendente noted that the leading exports from the Aysen region are roughly two-thirds fish, notably salmon, and about a third consisting of minerals (silver, gold, zinc).

¶16. Before departing, the Ambassador raised the tragic death of the Aysen student in West Virginia and the Embassy's efforts to assist in the case. Carrasco said he had met with her family members earlier in the week and they were appreciative of the support of the Embassy, the GOC, and authorities in the United States during this difficult time.

Opposition Mayor Upbeat on Coyhaique and Aysen Region

¶17. The Mayor of Coyhaique, David Sandoval, spoke favorably about the TDA grant and appreciated the Ambassador's visit. He noted Coyhaique is a relatively new city (less than 100 years old) and has expanded slowly over the years, largely because of its isolation. However, that trend is changing with increased tourism and salmon industry activities. And that pace will increase further, he said, if the hydroelectric dams are built, which in turn will generate economic activity and employment opportunities in the region. He added one "can't put a lock on development." The Mayor emphasized the TDA grant is very timely.

¶18. The Ambassador stated that a top U.S. priority in Chile is to promote economic opportunities and the TDA grant is part of that effort. In response to his question about relations with Argentina, the Mayor noted that at the municipal level ties are very good, which has not always been the case at higher levels. On the upcoming municipal elections, Sandoval said he would not seek reelection and planned to be a candidate in Congress. He said his UDI party mayoral candidate is in a close heat with the Concertacion candidate.

TDA Feasibility Study Project

¶19. Regional Airports Director Hector Oyarzun briefed the Ambassador on possible expansion plans of the Balmaceda Airport, which is the principal entry point for residents and visitors to the Aysen region and its capital Coyhaique (located some 50 kilometers from the airport). Aysen Governor Fernando San Martin and Ministry of Public Works Regional Secretary Rolando Tolosa also participated in the briefing. Oyarzun highlighted the objectives of the TDA study: create a demand projection for the next 20 years, develop an infrastructure master plan, and evaluate construction cost options.

¶110. The Director noted that Balmaceda, like the airport in Punta Arenas, is unique because it is the main transport link to two isolated southern regions. He said that the current airport with its 2,500 meter runway and facilities can handle up to three Airbus 320s. Over the last 10 years, air traffic has grown by more than 50 percent, now totaling approximately 230,000 passengers per year. Oyarzun expected the growth trend to continue. There are three flights per day to and from Santiago during the off season, and this increases up to six or seven round-trip daily flights during the summer high-season.

¶111. If the five hydroelectric dams are constructed in the Aysen region, Oyarzun indicated there will be a notable increase in use of the Balmaceda Airport. Oyarzun noted that Aysen residents are equally divided over the construction of the widely-publicized dams.

Even without the planned hydroelectric activities, he noted the airport registered a 17 percent increase in use during 2007. The Director concluded the TDA study will be key to the airport's development over the next 20-30 years, helping examine growth options under different scenarios.

Public Outreach

¶12. The Ambassador discussed U.S.-Chile relations and the TDA grant during radio, TV, and print media interviews in Coyhaique. He participated in a joint press conference with Intendente Carrasco and later did separate interviews with El Diario Aysen, Radio Santa Maria, and Channel 4 TV host Rocco Martinello, highlighting his trip and interest in learning about the pressing issues in Aysen.

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